Connecticut Jobs Now

Objective

To promote job creation through targeted capital investments in projects of strategic importance that improve the state's infrastructure and position Connecticut to compete effectively in the future.

Proposal Overview

We call on Governor Rell to take aggressive action to create jobs, stimulate Connecticut's depressed economy and promote economic recovery. Specifically, we call on the governor to accelerate capital investment through the release of previously authorized construction projects pending State Bond Commission approval. This proposal does not call for the authorization of any new projects.

We are proposing that $1 billion in capital investments be made over the next 12-month period in areas of strategic importance, including:

- Transportation infrastructure
- Housing
- Energy Conservation
- Clean water
- Higher education

Investments in these areas will allow us to address challenges in the Connecticut economy, create jobs now and better position the state to compete in the future.

We urge the governor to select previously authorized projects that are "ready to go," meaning that they have been or can be bid and be ready for construction within 90 to 120 days. Priority should be given to projects that create jobs and are free of obvious delay.

In addition, we urge the governor to set aside up to 20 percent, or $200 million, of this recovery fund for municipal projects that meet the "ready to go" definition. Municipal projects should be dispersed equitably, with emphasis placed on projects in areas of high unemployment.

If this proposal proceeds, we stand ready to work with the governor and the State Treasurer to ensure that Connecticut remains under the established bonding cap, even if this means de-authorizing other previously authorized projects in other areas.

Making this proposal today, we recognize the responsibility we have in trying to create and sustain jobs for the people of Connecticut. We call on our colleagues and the governor to join us in this effort, knowing that no matter what else happens in our economy, there can be no sustained recovery without the creation of permanent jobs.

Why is Connecticut Jobs Now *needed?*

High Unemployment Rates

Overall unemployment in Connecticut now stands at a seasonally adjusted 8.2 percent, the highest level since the 1970s. Employment in the construction industry is down 22 percent, with only Nevada and Arizona faring worse. We need to address this issue and move away from a narrowly defined debate on budget issues only. The state's economy will not improve until its people have jobs and are back to work.

Strategic Projects Are Ready for Construction

In the areas of higher education, transportation, the environment, housing, clean water and energy conservation, there are hundreds of millions of dollars in projects that are "ready to go." Funds could also be directed to municipalities and nonprofits with ready to go projects, if desired.

Commitment to this plan could allow us to maintain scheduled state capital investments and provide added support to struggling cities and towns.

Potential for Significant Job Creation

The Associated General Contractors of America estimates that $1 billion in non-residential construction will create 16,000 jobs, add about $2.1 billion to the state's Gross Domestic Product (GDP) and create $662M in personal earnings:

- **5,400** on-site construction jobs
- **2,600** jobs associated with construction supply materials and services
- **8,000** jobs created when construction workers and suppliers spend their income in our cities and towns

The Federal Highway Administration estimates that for every $1 billion in construction spending 27,800 jobs are created, including 9,537 on site, 4,324 jobs in support industries and 13,962 jobs in general consumer supply companies.

At its peak in 2007, the construction industry in Connecticut employed almost 70,000 workers. Of the state's $216.3 billion GDP, the construction industry accounted for $13.6 billion, or 6.3 percent of the total. A billion dollars of non-residential construction spending will generate between $2 billion and $2.5 billion, or a full one percent gain in state GDP.

Ninety-three percent of all Connecticut's almost 10,000 construction companies are small companies (20 employees or less) and would be direct beneficiaries of this program. Other small companies and businesses will be secondary beneficiaries as income from this recovery program ripples through the economy.

Why is Connecticut Jobs Now needed?

Lower Than Expected Bid Rates

Bids are falling substantially below agency project estimates, for example:

	Estimate	Actual Bid
Rail Yard—Change Out Facility	$270.0 M	$128.0 M
York Correctional Institute	$25.9 M	$14.7 M
Buckingham Garage Repair	$0.171 M	$0.117 M
Bullard Haven— Energy Upgrade	$0.406 M	$0.184 M

In addition, Department of Transportation Commissioner Joseph Marie testified that horizontal construction bids are coming in on average 10 to 15 percent below agency estimate. The consistency of this trend suggests the market is hungry for work and that competition among contractors is strong.

Historically Low Interest Rates

The State Treasurer and Office of Fiscal Analysis (OFA) report that current market interest rates are at their lowest level in many years. OFA recently reported that current market interest rates are at 3.9 percent, compared with standard OFA debt service estimates of 5 percent.

Converted to real dollars, this means that at the 3.9 percent rate, debt service on $100 million of borrowing is $141 million, or $11 million less than $100 million of borrowing at the 5 percent rate, which costs $152 million over the same twenty-year period.

With the same debt service appropriation, we can accomplish more. Completing projects at lower than anticipated bid prices and at historically low interest rates will allow Connecticut to:

- Modernize state facilities on schedule as previously planned;
- Create jobs, both construction jobs now and permanent jobs in the long term;
- Invigorate a depressed state economy; and
- Purchase more without increasing indebtedness beyond anticipated levels due to lower than expected bid prices.